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**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**[Docket No. FR-5939-N-01]**

**Section 8 Housing Assistance Payments Program-  
Fiscal Year (FY) 2016 Inflation Factors for Public Housing Agency (PHA) Renewal  
Funding**

**AGENCY:** Office of the Assistant Secretary for Policy Development and Research, HUD.

**ACTION:** Notice.

**SUMMARY:** The Consolidated Appropriations Act, 2016 requires that HUD apply “an inflation factor as established by the Secretary, by notice published in the Federal Register” to adjust FY 2016 renewal funding for the Tenant-based Rental Assistance Program or Housing Choice Voucher (HCV) Program of each PHA. HUD began using Renewal Funding Inflation Factors in FY 2012. These Renewal Funding Inflation Factors incorporate economic indices to measure the expected change in per unit costs (PUC) for the HCV program. The methodology for FY 2016 is modified from what was used in FY 2015.

**DATES:** *Effective date:* **[INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER.]**

**FOR FURTHER INFORMATION CONTACT:** Miguel A. Fontanez, Director, Housing Voucher Financial Division, Office of Public Housing and Voucher Programs, Office of Public and Indian Housing, telephone number 202-402-4212; or Peter B. Kahn, Director, Economic and Market Analysis Division, Office of Policy Development and Research, telephone number 202-402-2409, for technical information regarding the development of the schedules for specific areas or the methods used for calculating the inflation factors, Department of Housing and Urban Development, 451 7th Street, SW, Washington, DC 20410. Hearing- or speech-impaired

persons may contact the Federal Relay Service at 800-877-8339 (TTY). (Other than the "800" TTY number, the above-listed telephone numbers are not toll free.)

## **SUPPLEMENTARY INFORMATION:**

### **I. Background**

Tables showing Renewal Funding Inflation Factors will be available electronically from the HUD data information page at:

[http://www.huduser.gov/portal/datasets/rfif/FY2016/FY2016\\_RFIF\\_FMR\\_AREA\\_REPORT.pdf](http://www.huduser.gov/portal/datasets/rfif/FY2016/FY2016_RFIF_FMR_AREA_REPORT.pdf).

Division L, Title II, Consolidated Appropriations Act, 2016 requires that the HUD Secretary, for the calendar year 2016 funding cycle, provide renewal funding for each public housing agency (PHA) based on validated voucher management system (VMS) leasing and cost data for the prior calendar year and by applying an inflation factor as established by the Secretary, by notice published in the Federal Register. This notice provides the FY 2016 inflation factors and describes the methodology for calculating them.

### **II. Methodology**

The Department has focused on measuring the change in average per unit cost (PUC) as captured in HUD's administrative data in VMS. In order to predict the likely path of PUC over time, HUD has implemented a model that uses three economic indices that capture key components of the economic climate and assist in explaining the changes in PUC. These economic components are the seasonally-adjusted unemployment rate (lagged twelve months), the Consumer Price Index from the Bureau of Labor Statistics, and the "wages and salaries" component of personal income from the National Income and Product Accounts from the Bureau of Economic Analysis. This model subsequently forecasts the expected annual change in average PUC from Calendar Year (CY) 2015 to CY 2016 for the voucher program on a national

basis by incorporating comparable economic variables from the Administration's economic assumptions. For reference, these economic assumptions are described in the FY 2016 Budget. The inflation factor for an individual geographic area is based on the annualized change in the area's Fair Market Rent (FMR) between FY 2014 and FY 2016. These changes in FMR are then scaled such that the voucher-weighted average of all individual area inflation factors is equal to the expected annual change in national PUC from 2015 to 2016, and also such that no area has a factor less than one. HUD subsequently applies these calculated individual area inflation factors to eligible renewal funding for each PHA based on VMS leasing and cost data for the prior calendar year. The CY 2016 PHA HCV allocation uses 0.8 percent as the annual change in PUC. This figure was calculated by using VMS data through December of 2015 and actual performance of economic indices through December of 2015.

### **III. The Use of Inflation Factors**

The inflation factors have been developed to account for relative differences in the changes of local rents so that HCV funds can be allocated among PHAs. In response to comments provided to HUD as requested in the 2015 Renewal Funding Inflation Factor notice, HUD has used the annualized change in FMRs measured between FY 2014 and FY 2016 in the apportionment of the national inflation rate to account for both the current change in rents but also the changes in rents experienced last year when the predicted inflation rate was negative. HUD anticipates that in 2017, the national inflation rate will be based on a new model of Per Unit Cost HUD is developing in response to comments that is based on independent forecasts of gross rents and tenant incomes without relying on historical values of Per Unit Cost, and will apportion this change based on the change in individual areas FMRs between FY 2016 and FY 2017.

#### **IV. Geographic Areas and Area Definitions**

Inflation factors based on renewal funding and area FMR changes are produced for all FMR areas. The tables showing the Renewal Funding Inflation Factors available electronically from the HUD data information page list the inflation factors for each FMR area and are created on a state by state basis. The inflation factors use the same OMB metropolitan area definitions, as revised by HUD, that are used in the FY 2016 FMRs. To make certain that they are referencing the correct inflation factors, PHAs should refer to the Area Definitions Table on the following webpage:

[http://www.huduser.org/portal/datasets/rfif/FY2016/FY2016\\_RFIF\\_FMR\\_AREA\\_REPORT.pdf](http://www.huduser.org/portal/datasets/rfif/FY2016/FY2016_RFIF_FMR_AREA_REPORT.pdf).

The Area Definitions Table lists areas in alphabetical order by state, and the counties associated with each area. In the six New England states, the listings are for counties or parts of counties as defined by towns or cities.

#### **V. Environmental Impact**

This notice involves a statutorily required establishment of a rate or cost determination which does not constitute a development decision affecting the physical condition of specific project areas or building sites. Accordingly, under 24 CFR 50.19(c)(6), this notice is categorically excluded from environmental review under the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

Dated: April 8, 2016.

Katherine M. O'Regan,  
Assistant Secretary for Policy, Development and Research.

**[FR-5939-N-01]**

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